ITEM NO. 5

SUCCESSOR AGENCY
CITY OF OCEANSIDE

OVERSIGHT BOARD MEETING DATE: January 15, 2013

ITEM TITLE: APPROVAL OF THE DUE DILIGENCE REVIEW OF THE OTHER REDEVELOPMENT AGENCY FUNDS

SYNOPSIS

Adoption of a resolution to approve the Due Diligence Review of the Other Redevelopment Agency Funds prepared by Lance Soll & Lunghard, LLP.

BACKGROUND

Pursuant to Section 18 34179.6 of the Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*; "CRL"), the Successor Agencies must submit the results of a Due Diligence Review conducted pursuant to Section 34179.5 for the Other Redevelopment Agency Funds and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. A separate Due Diligence Review for the Low and Moderate Incoming Housing Fund was submitted and approved on October 9, 2012.

FISCAL IMPACT

Total assets in the Successor Agency Other Redevelopment Funds as of June 30, 2012 are $70,363,698 as identified on Attachment B5. Attachment B10 lists the Successor Agency's assets that are legally restricted for debt, non-cash assets, legally restricted for enforceable obligations, balances needed to satisfy FY 12/13 ROPS, and payment to the County Auditor-Controller as directed by the California Department of Finance in July 2012. The resulting amount is a negative $519,236, with the amount to be remitted to the County for disbursement to taxing entities being zero.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney, acting as counsel to the Successor Agency, and approved as to form.

RECOMMENDATION

Adopt the resolution to approve the Due Diligence Review of the Other Redevelopment Agency Funds prepared by Lance Soll & Lunghard, LLP.

PREPARED BY:

Teri Ferro
Financial Services Director

Attachment: Due Diligence Review of the Other Redevelopment Agency Funds
Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE CITY OF OCEANSIDE TO APPROVE THE DUE DILIGENCE REVIEW OF THE OTHER REDEVELOPMENT AGENCY FUNDS PERFORMED BY LANCE, SOLL & LUNGHARD, LLP, DATED DECEMBER 10, 2012

WHEREAS, on February 1, 2012, in accordance with the provisions of California Health and Safety Code section 34179(a)(1) the Oceanside Redevelopment Agency was dissolved; and

WHEREAS, the Oversight Board to the Successor Agency of the former Oceanside Redevelopment Agency (Successor Agency) has been appointed pursuant to the provisions of Health and Safety Code Section 34179; and

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the auditor-controller, to conduct a due diligence review for the Other Redevelopment Agency Funds in order to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, the due diligence review was performed by Lance, Soll & Lunghard, LLP and their report titled "Due Diligence Review of the Other Redevelopment Agency Funds Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6) of Assembly Bill No. 1484 of 2012" was dated December 10, 2012; and

WHEREAS, the Oversight Board received the review on January 8, 2013 and pursuant to Health and Safety Code Section 34179.6(b), convened a public comment session which took place at least five business days before the Oversight Board's approval vote; and

WHEREAS, the Oversight Board has duly considered the determination that the unobligated balances available for transfer is zero;

NOW, THEREFORE BE IT RESOLVED by the Oversight Board as follows:

1) The Oversight Board finds and determines that the foregoing recitals are true and correct and are a substantive part of this Resolution.

2) The due diligence review, in the form attached to the Staff Report, is hereby approved by the Oversight Board.

BE IT FURTHER RESOLVED that, a copy of this resolution will be transmitted to the California State Department of Finance and County Auditor-Controller.

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PASSED AND ADOPTED by the Oversight Board to the Successor Agency of the City of Oceanside, California, this 15th day of January, 2013, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

_____
CHAIRMAN

ATTEST:

_____
Secretary

LSL

CERTIFIED PUBLIC ACCOUNTANTS

Successor Agency of the Former Redevelopment Activities of the Oceanside Community Development Commission

Due Diligence Review of the Other Redevelopment Agency Funds Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6) of Assembly Bill No. 1484 of 2012

Lance Soll & Lunghard, LLP

Orange County
Silicon Valley
Temecula Valley

www.lslcpas.com

Successor Agency
of the Former Redevelopment Activities
of the Oceanside Community Development
Commission

Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012

LSL
CERTIFIED PUBLIC ACCOUNTANTS

Brandon W. Burrows, CPA
David E. Hale, CPA, CFP
A Professional Corporation
Donald G. Slater, CPA
Richard K. Kikuchi, CPA
Susan F. Matz, CPA
Shelly K. Jackley, CPA
Bryan S. Gruber, CPA
Deborah A. Harper, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Successor Agency of the
Former Redevelopment Activities of the
Oceanside Community Development Commission
City of Oceanside, California

We have performed the procedures enumerated in Attachment A for the Other Redevelopment Agency Funds, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the Successor Agency.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the applicable State Agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Lance, Soll & Lunghard, LLP

Brea, California
December 10, 2012

ATTACHMENT A

List of Procedures for Due Diligence Review of the Other Redevelopment Agency Funds

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

2. If the State Controller's Office has completed its review of transfers required under both sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

   a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

   b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

   c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

   a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

   b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

   c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

4. Perform the following procedures:

   a. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.

   b. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

   c. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.

   d. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listing should be attached as an exhibit to the appropriate AUP report.

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:

   a. Unspent bond proceeds:

      i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)

      ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

      iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

   b. Grant proceeds and program income that are restricted by third parties:

      i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).

      ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

c. Other assets considered to be legally restricted:

i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).

ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

7. Perform the following:

a. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

b. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

c. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

d. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and\or methodology, note the lack of evidence.

8. Perform the following:

a. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.

i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.

iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.

iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

b. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.

ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.

a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.

iii. For the forecasted annual revenues:

a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

c. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.

i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.

ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.

iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

d. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.

ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.

iii. Include the calculation in the AUP report.

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Procedure 1
List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency
Other Redevelopment Agency Funds
As of February 1, 2012

ATTACHMENT B1

Asset		Balance at 2/1/2012
Cash in Bank		$ 20,835,063
ReInvst-CDC 02 TAB Reserve		2,980,157
Accounts Receivable		363,828
Interest Receivable		21,236
Land and buildings held for resale		9,492,993
Capital Assets		38,272,109
	Total Assets transferred:	**$ 71,965,386**

Procedure 2
Listing of Transfers (Excluding Payments for Goods and Services) to the City
Other Redevelopment Agency Funds
For the Period from January 1, 2011 through June 30, 2012

ATTACHMENT B2

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)	
From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012				
Jun-11 P&I payment - RDA Corp Yard Loan		$ 17,326	Y	
Dec-11 P&I payment - RDA Corp Yard Loan		16,943	Y	
2010-2011 RDA General Loan Consolidation Interest (no cash)		832,184	Y	
2010-2011 RDA General Loan Consolidation Interest (no cash)		38,835	Y	
Dec-11 RDA General Fund Loan Consolidation Interest (no cash)		898,759	Y	
Transfer to City pursuant to Cooperative Agreement dated March 16, 2011		-	Y	a
	Sub-total:	1,804,047		
From Successor Agency to City for February 1, 2012 through June 30, 2012				
Long term receivable - California Surf Museum		242,552	Y	
Land held for resale - California Surf Museum		700,000	Y	
	Sub-total:	942,552		
	Total Transfers to City for 1/1/2011 through 6/30/2012:	**$ 2,746,599**		

a. The former Redevelopment Agency transferred $14,446,000 to the City pursuant to its cooperative agreement dated March 16, 2011 to be used to fund certain designated public improvements including drainage, mission avenue, lot 26 parking lot, hotel block public improvements, and waterfront/restrooms. This transfer was subsequently reversed and $13,413,534 of the monies were transferred to the Successor Agency on February 1, 2012 as part of the dissolution.

Procedure 3
Listing of Transfers (Excluding Payments for Goods and Services) to Other Public Agencies or Private Parties
Other Redevelopment Agency Funds
For the Period from January 1, 2011 through June 30, 2012

ATTACHMENT B3

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012			
Feb-11 CDC 04/94 TAB - Principal	EO	$ 340,000	Y
Dec-11 CDC 04/94 TAB - Principal	EO	355,000	Y
Feb-11 CDC 02 TAB - Principal	EO	750,000	Y
Dec-11 CDC 02 TAB - Principal	EO	785,000	Y
Feb-11 CDC 03 Refunding of 93 TAB - Principal	EO	485,000	Y
Dec-11 CDC 03 Refunding of 93 TAB - Principal	EO	505,000	Y
Feb-11 CDC 03 TAB Escrow - Principal	EO	655,000	Y
Dec-11 CDC 03 TAB Escrow - Principal	EO	685,000	Y
Feb-11 CDC 04/94 TAB - Interest	EO	255,277	Y
Jun-11 CDC 04/94 TAB - Interest	EO	248,477	Y
Dec-11 CDC 04/94 TAB - Interest	EO	248,769	Y
Feb-11 CDC 02 TAB - Interest	EO	491,857	Y
May-11 CDC 02 TAB - Interest	EO	474,044	Y
Dec-11 CDC 02 TAB - Interest	EO	474,044	Y
Feb-11 CDC 03 Refunding of 93 TAB - Interest	EO	99,475	Y
Jun-11 CDC 03 Refunding of 93 TAB - Interest	EO	89,775	Y
Dec-11 CDC 03 Refunding of 93 TAB - Interest	EO	89,775	Y
Feb-11 CDC 03 TAB Escrow - Interest	EO	425,210	Y
May-11 CDC 03 TAB Escrow - Interest	EO	409,140	Y
Dec-11 CDC 03 TAB Escrow - Interest	EO	409,140	Y
	Sub-total:	8,274,983	
From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012			
Apr-12 CDC 04/94 TAB - Interest	EO	241,377	Y
Apr-12 CDC 02 TAB - Interest	EO	454,419	Y
Apr-12 CDC 03 Refunding of 93 TAB - Interest	EO	79,675	Y
Apr-12 CDC 03 TAB Escrow Bond - Interest	EO	392,080	Y
	Sub-total:	1,167,551	
Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:		$ 9,442,534	

Procedure 4
Summary of the Financial Transactions of Redevelopment Agency and Successor Agency
All Funds
Per schedule attached to List of Procedures for Due Diligence Review

ATTACHMENT B4

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and investments	$ 23,606,641	$ 11,923,382	$ 27,437,321	$ 24,822,128
Restricted cash and investments	4,512,802	3,080,153	2,980,157	2,980,157
Accounts receivable	215,923	208,612	-	-
Interest receivable	76,900	72,783	21,236	-
Notes receivable	6,555,610	8,702,404	11,789,690	-
Due from other governments	-	-	-	-
Land and buildings held for resale	9,492,993	9,492,993	9,492,993	8,792,993
Advances to other funds	4,605,985	4,317,085	4,317,085	-
Total Assets	$ 49,066,854	$ 37,797,412	$ 56,038,482	$ 36,595,278
Liabilities (modified accrual basis)				
Accounts payable and accrued liabilities	$ 1,708,734	$ 1,445,067	$ 2,272,393	$ 4,265,428
Deposits	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	900,800	3,047,594	6,134,880	600
Advances from other funds	4,605,985	4,317,085	4,317,085	-
Total Liabilities	7,215,519	8,809,746	12,724,358	4,266,028
Equity	41,851,335	28,987,666	43,314,124	32,329,250
Total Liabilities + Equity	$ 49,066,854	$ 37,797,412	$ 56,038,482	$ 36,595,278
Total Revenues:	$ 13,893,381	$ 11,213,690	$ 6,367,956	$ 2,685,425
Total Expenditures:	12,576,708	9,643,279	9,493,955	20,955,365
Other Financing Sources (Uses)	(3,944,060)	(14,434,080)	17,506,799	50,599,190
Net change in equity	(2,627,387)	(12,863,669)	14,380,800	32,329,250
Beginning Equity:	38,738,722	41,851,335	28,987,666	-
Restatements	5,740,000	-	(54,342)	-
Ending Equity:	$ 41,851,335	$ 28,987,666	$ 43,314,124	$ 32,329,250
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year (Net)	$ 40,110,519	$ 40,048,689	$ 39,650,376	$ 39,146,560
Long-term debt as of end of year	81,912,673	78,878,520	75,729,124	63,802,504

Procedure 5
Listing of All Assets
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B5

Assets				**Amount**
Cash				
971.1005	Cash in Bank	$ (4,675,789)		
971.1005.9999	Inter-Co Settlement	5,288,602		
972.1005	Cash in Bank	15,436,310		
972.1005.9999	Inter-Co Settlement	(3,013,152)		
973.1005	Cash in Bank	6,416,173		
973.1005.9999	Inter-Co Settlement	(8,156)		
	TOTAL CASH:			$ 19,443,988
Investments				
971.1102.1046	ReInvst-CDC 02 TAB Reserve	2,980,157		
	TOTAL INVESTMENTS:			2,980,157
Land Held for resale				
973.1500.0008	Land Held for resale	8,792,993		
	TOTAL LAND HELD FOR RESALE:			8,792,993
Capital Assets				
974.1500.0001	Land	16,959,469		
974.1500.0002	Buildings & Treatment Plants	27,750,877		
974.1500.0003	Infrastructure	1,995,328		
974.1500.0004	Machinery and Equipment	114,850		
974.1500.0006	Furniture, Fixture and Software	85,562		
974.1500.0007	Construction in Progress	3,777,068		
974.1505.0002	A/D - Buildings & Treatment Plants	(11,053,198)		
974.1505.0003	A/D - Infrastructure	(294,299)		
974.1505.0004	A/D - Machinery and Equipment	(114,850)		
974.1505.0006	A/D - Furniture, Fixture and Software	(74,247)		
	TOTAL CAPITAL ASSETS:			39,146,560
			TOTAL ASSETS AT 6/30/2012:	**$ 70,363,698**

Procedure 6
Listing of Assets that are Restricted
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B6

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Unspent bond proceeds				
	a) 2003 Subordinate Tax Allocation	GL 972.1005 and 972.1005.9999	$ 12,423,158	Restricted by debt covenant for various construction projects	Y
2	Debt Reserve				
	a) ReInvst-CDC 02 TAB Reserve	971.1102.1046	2,980,157	Debt Reserve Requirement	Y
		TOTAL:	**$ 15,403,315**		

Procedure 7
Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B7

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
1	Land Held for Resale				
	a) Various properties	973.1500.0008	$ 8,792,993	Cost	N
2	Capital assets				
	a) Land	974.1500.0001	16,959,469	Cost	N
	b) Buildings & Treatment Plants	974.1500.0002	27,750,877	Cost	N
	c) Infrastructure	974.1500.0003	1,995,328	Cost	N
	d) Machinery and Equipment	974.1500.0004	114,850	Cost	N
	e) Furniture, Fixture and Software	974.1500.0006	85,562	Cost	N
	f) Construction in Progress	974.1500.0007	3,777,068	Cost	N
	g) A/D - Buildings & Treatment Plants	974.1505.0002	(11,053,198)	Cost	N
	h) A/D - Infrastructure	974.1505.0003	(294,299)	Cost	N
	i) A/D - Machinery and Equipment	974.1505.0004	(114,850)	Cost	N
	j) A/D - Furniture, Fixture and Software	974.1505.0006	(74,247)	Cost	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			$ 47,939,553		

Procedure 8a
Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B8a

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Amount Restricted for Obligation for June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
1	SD Malkin	C-4 Malkin Agreement	$ 2,360,000	$ -	$ 2,360,000	Y
			$ 2,360,000	**$ -**	**$ 2,360,000**	

Procedure 8b
Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B8b

No assets need to be retained due to insufficient funding for the funding of enforceable obligations

Procedure 8c
Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B8c

No assets need to be retained due to projected insufficient property tax revenues for bond debt payments

Procedure 9
Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B9

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Identified on the ROPS 2 or 3?
1	2002 Tax Allocation Bond	ROPS II Pg 1 #1	$ 1,280,669	$ -	Reserve balances	$ 1,280,669	Y
2	2003 Tax Allocation Bond	ROPS II Pg 1 #2	1,115,169	-	Reserve balances	1,115,169	Y
3	2003 Refund Tax Allocation Bond	ROPS II pg 1 #3	608,914	-	Reserve balances	608,914	Y
4	2004 Refund Tax Allocation Bond	ROPS II pg 1 #4	615,616	-	Reserve balances	615,616	Y
5	General Legal Services	ROPS II pg 1 #7	10,000	-	Reserve balances	10,000	Y
6	Redevelopment Bond Legal Counsel	ROPS II pg 1 #8	11,500	-	Reserve balances	11,500	Y
7	General Economic Analysis	ROPS II pg 1 #10	10,500	-	Reserve balances	10,500	Y
			$ 3,652,368	**$ -**		**$ 3,652,368**	

Procedure 10
Summary of Other Redevelopment Agency Funds Available for Allocation to Affected Taxing Entities

ATTACHMENT B10

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)		$	70,363,698
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)			
	To City		-
	To other parties		-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)			(15,403,315)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)			(47,939,553)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)			(2,360,000)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)			(3,652,368)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance			(1,527,698)
Amount to be remitted to county for disbursement to taxing entities		$	(519,236) (a)

(a) Amount to be remitted to County for disbursement to taxing entities is zero.

CITY OF OCEANSIDE
FINANCIAL SERVICES DEPARTMENT

December 10, 2012

Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 North Brea Boulevard, Suite 203
Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former redevelopment activities of the Oceanside Community Development Commission. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

1. We have made available to you:

   a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

   b. In accordance with 34179.5(c)(2), the dollar value of all assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. We have also provided the documentation of any enforceable obligation that required the transfer.

   c. In accordance with 34179.5(c)(3), the dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. We have also provided documentation of any enforceable obligation that required the transfer.

   d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

   e. In accordance with 34179.5(c)(5), a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012.

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f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

g. In accordance with 34179.5(c)(5)(C), an itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value.

h. In accordance with 34179.5(c)(5)(D),an itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, we have provided a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements.

i. In accordance with 34179.5(c)(5)(E), an itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.

3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.

4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:

   a. Management,

   b. Employees who have significant roles in internal control, or

   c. Others where the fraud could have a material effect on this Due Diligence Review.

6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.

8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.

9. The Successor Agency of the former redevelopment activities of the Oceanside Community Development Commission has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with AB 1X 26 and AB 1484.

11. There are no known violations of:

    a. Laws and regulations,

    b. Provisions of contracts and grant agreements,

    c. Provisions related to the dissolution of the Redevelopment Agency in AB 1X 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.

12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.

13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: Teri Ferro

Title: Financial Services Director

Signed: Jane M. Mathew

Title: Accounting Manager